

**BUSINESS LINKAGES INVOLVING
SMMEs WITH UMGENI WATER
AND HULETT ALUMINIUM IN KWAZULU-NATAL**

African Economic Policy Paper

Discussion Paper Number 23

June, 1998

T. McEwan, M. D.C. Mead and N.M. Ndlovu

University of the North

Department of Agricultural Economics

Sovenga, South Africa

Funded by

United States Agency for International Development

Bureau for Africa

Office of Sustainable Development

Washington, DC 20523-4600

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FOREWORD

Professor Tom McEwan
Professor Don Mead
University of Natal
Pietermaritzburg
November 1998

The six studies on Small, Medium and Micro Enterprise (SMME) Development: **1.** Enhancing Economic Development by Fostering Business Linkages between Pharmaceutical Companies and the Traditional Medicines Sector by E.C. Bbenkele, **2.** Promoting the Growth of Micro and Micro and Small Enterprises through Business Linkages in the Northern Province by C.L. Machete and F.D.K. Anim, **3.** Business Linkages Involving SMMEs with Umgeni Water and Hulett Aluminium in KwaZulu-Natal by T. McEwan, D.C. Mead and N.M. Ndlovu, **4.** Linkage Promotion in South Africa: Insights from Research Conducted in Durban and Richards Bay: An Exploratory Study by F.O. Skae, **5.** The Role of Business Linkages in Restructuring the Footwear Industry in the Greater Pietermaritzburg Metropolitan Area by B. Strydom, and **6.** Small Enterprise Growth through Business Linkages in South Africa by D.C. Mead were carried out between September 1997 and March 1998. Five of the studies were carried out in KwaZulu-Natal Province under an agreement between the University of Natal, Pietermaritzburg, the United States Agency for International Development, and Harvard University, through a sub-agreement with Michigan State University. The final study was arranged between the same American principals and the University of the North, Sovenga, Northern Province, in South Africa.

The choice of where to carry out these studies on SMME developments was not entirely accidental. The Northern Province, for example, was found to be the poorest of South Africa's nine provinces in the 1996 census with an average income of R17,900 (approximately US\$3,000) and 46 percent of its 4.9 million population unemployed, which is the second highest after Eastern Cape (49 percent) in South Africa.

Third in terms of high unemployment (with 39 percent), was KwaZulu-Natal Province, which has the largest population (8.4 million) of South Africa's 40.8 million population. The average income is barely R24,3000 (approximately US\$4,200), despite the large contribution made by the Durban Greater Metropolitan Area to the South African and Provincial economies. Because the principal source of investment in the past has come from South Africa's white population, large disparities still exist which distort average income calculations, according to the 1996 census. Among unemployed Africans, for example, the average income for women is R12,000 and R16,000 for men. This compares with an annual income for men of R30,000 and R20,000 for women across the whole working population in South Africa.

There are also daunting development backlogs in both provinces. For example, nearly one million people in KwaZulu-Natal have received no formal education, and a further 700,000 are classified as "functionally illiterate". A further half a million households live in traditional

housing with no direct access to electricity or potable water supplies. (The Sunday Times Report, 25 October 1998, p.5). The Income Distribution for the province (Gini Coefficient) is 0.7 which indicates the same skewness as for the rest of South Africa, compared with an ideal coefficient zero. However, the Human Development Index for the province, which measures life expectancy, income and literacy rate, etc., was 0.59 when data was last collected in 1991, compared with 0.69 for the rest of South Africa and an ideal index of 1. (Source: Industrial Development Report on the Pietermaritzburg Spacial Development Initiative, 1997).

Northern Province is the least urbanized province in South Africa and 90 percent of its population still live in traditional housing or shacks in the rural areas on the outskirts of towns. It also has the highest proportion of women (54 percent of the population) compared with 52 percent across South Africa. The highest population of uneducated or “functionally illiterate” people live in this province, and over 60 percent of households still use wood for cooking and heating purposes.

As if high unemployment, illiteracy and restricted rural development are not burdens enough for any province to have to carry in the New South Africa, KwaZulu-Natal and Northern Province have also still to come to terms with the added problems of HIV/AIDS and, in the case of KwaZulu-Natal, politically-motivated crime and violence.

Accurate data on HIV/AIDS infection is hard to come by, notwithstanding the commendable efforts of specialists and other experts in the field, because the full extent of the problem only attracted full media attention in South Africa earlier this year when the Deputy-President, Thabo Mbeki, made an eloquent plea for more sympathetic understanding of those infected, and also called for rapid action plans of contain the spread of this pandemic. If forecasts are accepted, they make chilling reading as 53 percent of the beds in the University of Natal’s Medical School hospital are already occupied by HIV/AIDS patients. Over one in four people in KwaZulu-Natal is probably HIV/AIDS positive and, nationally, South Africa is already planning to cope with an estimated two million orphans, or abandoned children, as well as one-third of all women attending ante-natal clinic being infected with HIV/AIDS, over the next 10-15 years.

It would be out of place to comment much further here about a subject of which we possess no expertise. Two things which are relevant to the SMME studies need to be stated. Firstly, a major consequence of South Africa’s economic and political history up to 1994 was the gradual decline of the “Lobola” system, whereby families were started before the African version of Western “marriage” took place. Women remained in rural areas with their families to raise new off-spring, whereas the men left to find work in urban/industrial areas so that they could raise the money to pay off the “Lobola” dowry to the woman’s parents and support their families. Since then, the 1996 Census reveals that the migration of men to rural areas has become a permanent feature of the South African economy. For example, 63 percent of African males under the age of 20 live in rural areas but this figure declines to only 40 percent by the age of 30. This trend begins to reverse itself after the age of 55, with almost 70 percent of males returning to their rural homelands by the age of 70 years.

Secondly, in view of this cycle of male migration, the prominence given to SMME development in the South African economy is easily justifiable since, although African women are also becoming more urbanized, this occurs at the lower rate. For example, 63 percent of African women are born in rural areas yet almost three-quarters remain at home throughout the most economically active period of their working lives. Raising the living standards of African women and their children through SMME development is an obvious way of combating HIV/AIDS in rural and urban communities since less migration and greater discrimination against African women, in terms of equal pay and job opportunities, means that over 50 percent are unemployed, compared with a national average of less than 30 percent. Starting up SMMEs is even less common and, in the six studies performed we experienced great difficulty in finding more than a few SMMEs in KwaZulu-Natal which were owned and run by women.

Politically-motivated crime and violence have also retarded economic development in South Africa and nowhere more so than in KwaZulu-Natal. Recent statistics indicate that more people have been killed in KwaZulu-Natal since 1994 than in the whole of the former Yugoslavia (SABC News Report, 3 November, 1998). Again, the reasons are far too complicated for detailed discussion in this report. However, that the Zulu nation is the largest ethnic group in South Africa, yet has failed to secure what might be regarded as an equitable share of political and economic power, because of divided support for the two largest political parties, provides part of the explanation why political-motivated crime and violence has brought economic development (eg. tourism) almost to a halt in some regions of KwaZulu-Natal. It also reinforces the argument for learning more about SMME development in the expectation that, if ever political differences can be reconciled, then the expansion of appropriate economic activity among African people in particular should proceed far more rapidly in KwaZulu-Natal.

This research project attempts to explore the business interests of two very different sets of South Africans. On the one hand, there are the senior and middle managers employed by two well-known, undoubtedly successful organizations in Pietermaritzburg. Mostly, but not solely white, these represent the buyers and include well-informed managers, trained in modern business practices, who see their primary functions as raising productivity and expanding their markets in ways which will eventually benefit all of the expanding population of the Greater Pietermaritzburg Metropolitan Area. As part of how they go about achieving these aims, the managers of both companies are committed to purchasing goods and services from Small, Medium and Micro Enterprises (SMMEs) amongst the historically disadvantaged Zulu Community in particular.

On the other hand, the “sellers” in the list of companies provided by “buyers” included a mixture of successful white-owned SMMEs alongside a wider range, in terms of financial performance, of entrepreneurs from the Zulu Community. In passing, it should be noted that Indian SMMEs were deliberately excluded because these were already being studied in a separate survey. The Zulu entrepreneurs could be divided into a small portion of successful medium-sized enterprises, as defined by the South African Department of Trade and Industry (DTI), which are clearly well-run and trade regularly with the largest companies in KwaZulu-Natal without need of any assistance from third parties, including government agencies.

Outside of this small apex of successful, largely self-made, black enterprises lies a large phalanx of Zulu-run SMMEs which are owned and operated by up to three, but mostly one, individual. Of the original list of over 1,200 SMMEs provided by both corporates, more than 80 were invited to participate in view of the limited time available. Of these, over one-third finally took part in the survey.

The research questions we sought to answer were based on the premise that around the world, modern, forward-looking businesses interact with other enterprises through a complex web of commercial relationships. This is because many efficient managers find it cost-effective not to try to do everything themselves “in-house”. Instead, they purchase some of the goods and services they require for their production activities from other enterprises that specialize in particular aspects of the production process. These purchases and sales, which we refer to as business linkages, are a pervasive characteristic of efficient and productive economies.

South Africa is expanding the scope of these commercial transactions. Many large corporations are moving toward a lower degree of vertical integration; many are reaching out more beyond their traditional corporate patterns, sometimes to smaller suppliers. While there is a long tradition of support for small business in South Africa, much of the energy in the past has been devoted to the promotion of small, white-owned businesses. In recent years, there has been considerable discussion of the way in which that process can be opened up to newly-established enterprises that had been excluded under the old Apartheid regime.

A research project at the University of Natal and the University of the North, in cooperation with Michigan State University, funded by the US Agency for International Development, set to examine the nature of these business linkages, as well as the extent to which they currently provide opportunities for improvement for historically disadvantaged small enterprises, and the kinds of steps that can be taken to expand such opportunities in the future.

In the first of these studies, Professor Bbenkele set out to identify existing and potential business linkages between the traditional medicines sector and registered pharmaceutical companies in South Africa. He also investigated how these business transactions could be developed to create an estimated 1,000 jobs per year in Durban, plus a smaller number of job opportunities in Pietermaritzburg.

His findings indicate that it cannot be assumed that expansion of the traditional medicine sector is straight-forward or a foregone conclusion, as different types of business linkages in an increasingly complex chain or network first need to be explored. These linkages involve gatherers, traditional healers, local authorities, National Parks Boards, pharmaceutical companies, the South African Medical Control Council and Ministry of Health, as well as health authorities overseas. All would need to be consulted further before the potential growth in job creation can be achieved. Job creation of this magnitude is of importance not just because it would help to reduce the high unemployment in the two Metropolitan Areas, but also because many of these envisaged new jobs would be taken up by rural women as gatherers of traditional medicine ingredients in the raw material form.

In the second study, Charles Machete and Francis Anim studied business linkages between small suppliers, in mainly black-owned businesses, and large buyers, in mainly white-owned businesses, and attempted to evaluate their contributions to SMME development in The Northern Province by seeking answers to the following questions: What are the distinguishing characteristics of small suppliers with, and without, business linkages? What are the determinants of business linkages? How can knowledge of these factors promote and strengthen new and existing business linkages? What are the constraints on the establishment of business linkages. Finally, what measures need to be taken to promote successful business linkages in The Northern Province?

In the third study, two interview teams led by professors McEwan and Mead identified existing and potential business linkages by carrying out a detailed study of 29 SMMEs which supply two leading corporates in Pietermaritzburg. These corporates were selected because of their public commitment to assisting historically disadvantaged enterprises, which predates the creation of the “New South Africa” in 1994, but also because the policy of both corporates is directly influenced by national and regional government agencies which seek to act in a beneficial or interventionist manner.

In-depth interviews were carried out with entrepreneurs and managers using a standard survey instrument, which preceded a comprehensive study of the values, objectives, strategic behaviors and the problems encountered by both suppliers and buyers, most of whom were situated in the Natal Midlands along the Durban-Pietermaritzburg corridor of the proposed Eastern Seaboard Spatial Development Initiative project. This study is far from exhaustive and much more needs to be known about other contributing factors affecting the vital task of enabling larger numbers of historically disadvantaged people to participate in business activity in the Natal Midland and play a fuller part in expanding the South African economy.

In the fourth study, Owen Skae studied the existing and potential business linkages of 32 SMME suppliers located in the Durban and Richards Bay Metropolitan Areas and their business linkages with 15 other companies, which are large buyers in the same Eastern Seaboard “corridor”.

These suppliers may be regarded as representative of the wide range of SMME activity in both coastal industrial centres, since no fewer than 26 different manufacturing and service sector enterprises have been included in this survey. In-depth interviews were carried out with entrepreneurs and managers using the same standard survey instrument used in the previously-mentioned study, which resulted in a comprehensive analysis of the motivations, aims, strategies, outcomes, and difficulties experienced by both suppliers and buyers. More still needs to be known about how to enable increasing number of historically disadvantaged people to participate in business activity in this region of KwaZulu-Natal, thereby helping to expand the South African economy, but a valuable start has been made in this research project.

In the fifth study, Barry Strydom carried out a detailed analysis of existing and potential business linkages of 32 SMME’s and larger companies which make up the declining footwear

industry, mostly based in the greater Pietermaritzburg Metropolitan Area. These enterprises either purchase from or supply other companies both in and outside South Africa.

The reasons for the steady decline of the South African footwear industry are complex and probably came to public attention for the first time as a result of the lifting of tariffs following South Africa's readmission to the Global Economy in 1994. However, international isolation, the failure to introduce new technology in the past, inadequate training, low productivity, coupled with a genuine concern by the industry to avoid shedding manual jobs carried out by historically disadvantaged people, have all contributed to this loss of market share. More than 4,000 jobs were lost in the Greater Pietermaritzburg Metropolitan Area alone, between 1994-1998, and the situation is likely to deteriorate further as the industry braces itself for the full impact of further cuts in tariffs under the GATT Agreement which are due in 1999. However, many local SMME's and larger companies have shown themselves to be both adaptive and resilient in the face of unavoidable change, and this study succeeds in identifying key forward, backward and horizontal linkages which will have to be evaluated and probably implemented during the next 18 months, if the South African footwear industry is to survive intact into the 21st century.

Special thanks are due to Professor Donald C. Mead, Michigan State University, for helping negotiate these last-minute arrangements; and also for sharing some of the interview load undertaken by Barry Strydom, with further assistance by Professor Tom McEwan. It should be noted that the six papers are a part of an ongoing study, and some analysis has been excluded because it forms part of a Masters dissertation, which has still to be assessed. Since completing this study, however, members of USAID/EAGER team have been invited to carry out an evaluation of the government-backed Workplace Challenge initiative, which will explore ways of improving collective bargaining and introducing new technology into the local footwear industry. A further report on this research is planned for 1999.

In the final study, Professor Mead undertook the task of drawing the disparate research findings together into a coherent whole which will hopefully be useful to all stakeholders with an interest in the successful expansion of the SMME sector in South Africa. Attention should be drawn to the following synopsis of his findings which would seem to have a wider range of application in South Africa outside the provinces of KwaZulu-Natal and the Northern Province.

The research shows that buyers establish business linkages with three principal motivations in mind; namely, either because it is good business to do so; or out of a sense of community service, or because they wish to shift to a production pattern that enables them to escape payment of taxes, or evade the impact of rules and regulations, usually imposed by Government agencies. While the last of these motivations was clearly true in many cases, a number of other suppliers paid all relevant taxes and fees while employing workers who were members of unions and were covered by the standard labor benefits. These enterprises were generally the most efficient of the small suppliers, and the ones that were growing the most rapidly.

Some linkage contracts were much more helpful than others to historically disadvantaged small suppliers. The key determining factors of these arrangements were the characteristics of the contract (size, period covered, stability), and the degree to which the contract provided a channel for the supplier to learn how to do things better. Where the motivation for the contract was based on community service, these factors were much less likely to be present. In such cases, linkages generally resulted in frustrations for the buyer and little development impact for the supplier. In contrast, where the motivation was commercial, the buyer had an incentive to serve as mentor to suppliers, for example by helping them improve their efficiency and productivity. Unfortunately, our interviews uncovered relatively few cases where the buyers played a significant role in mentoring their suppliers in either KwaZulu-Natal or the Northern Province.

Since there is considerable interest on the part of both buyers and suppliers in expanding the involvement of historically disadvantaged small enterprises in business linkages, with several initiatives currently under way and others just starting, it is clear from our research that to be most effective, institutional support for the promotion of business linkages needs to be based on a number of clear principles:

Firstly, the driving force must be economic, not a paternalistic goal of community service. All linkage promotion activities must have an orientation that starts from markets and works back to suppliers, thereby helping them take advantage of these identified market opportunities.

Secondly, the institutional structure must be cost-effective, taking account of the limited resources available to support this type of activity. Specialization and focus among promotion agencies can be important in helping achieve this objective. Buyer mentoring, a key factor in many successful linkages, also contributes in important ways to the goal of cost-effectiveness.

Thirdly, there are three specific building blocks which support the promotion of linkages; namely, information, capacity-building, and capital. While each may be needed to bring a particular contract to successful fruition, in general, one organization should not attempt to supply all three because the risk of inefficiency increases.

Fourthly, issues of imbalance between buyers and sellers are important and must be addressed in establishing equitable policies or programmes for linkage promotion, and some of these approaches are discussed in the papers.

Fifthly, much has already been achieved in the expansion of business linkages involving historically disadvantaged small enterprises in South Africa, thanks to the efforts of Ntsike Enterprise Promotion, the Centre for Small Business Promotion and the National Small Business Council. The interviews we carried out make clear that there is a strong will on all sides to do more. With stronger institutional support, there is much more that can be done.

It would be impossible to express thanks to the large number of people who either assisted or participated in this project, but special mention must be made of the contribution of Professor David Maughan Brown, Senior Deputy Vice Chancellor at the University of Natal, who

supported the research programme from the start and made it much easier to implement. Mr. Hollie Clarkson and Mrs. Cheryl Pratt from the University Finance Department have to be thanked for their professional monitoring of expenditure which ensured that compliance with rigorous US funding regulations was achieved.

Charmagne Howe, Kathy Acutt, Joy Gauche and Debbie Bowen, from the Department of Business Administration, must also be thanked for their administrative support, without which many interviews would never have been arranged and the two large workshops in Pietermaritzburg would certainly never have run so smoothly. Special mention must also be made of Nhlanhla Moses Ndlovu, who proved to be an outstanding research assistant, and provided invaluable support in "breaking the ice" during interviews with Zulu-speaking respondent, and who stored and analyzed data in an accurate way which augurs well for his own future research into SMME developments. We must also express our gratitude to Professor Anthony Lumby, Dean of the Faculty of Economics and Management at the University of Natal Durban Campus, for supporting Owen Skae's study of emerging SMME activity in the Durban-Richards Bay region of KwaZulu-Natal province; and additional thanks are due to Mel Clarke, KwaZulu-Natal Regional Economic Forum, for "opening doors" which resulted in us gaining quick access to the key players in the local footwear industry. Finally, the patience, helpful advice and insights of Alwyn Pollock, Commercial Manager at Umgeni Water, and his assistant Jill McEwen and Dennis Ndlovu, were much appreciated, along with those of Mervyn Webb, Senior Purchasing Manager at Hulett Aluminium, as was the interest shown by Andrew Layman, Director of the Pietermaritzburg Chamber of Commerce and Industry, and the coverage provided by Johan Beukes, Business Editor of the Natal Witness, South Africa's oldest daily newspaper.

Special thanks must also be expressed to the various English- and Zulu-speaking entrepreneurs who took part in the various surveys. They ranged from the obviously successful to those who run their fragile businesses on tightly-stretched shoe stings in back gardens, on in houses converted into make-shift workshops, with small children at play in the room next door. Here, in the townships or on run-down industrial estates, we interviewed mostly male respondents, many of whom possessed little knowledge of basic business skills and practices, which are essential in order to survive.

Their dire situation raises fundamental questions about the nature of the "Transformation" process in the New South African civic society. Simply put, in our view, if whatever has been inherited by the more fortunate, as either wealth, health, education, or even as better career opportunities, was at the expense of the near-defeated in society, then natural justice insists that better ways must be found of helping these brave, anxious, inadequately-trained "survivalist" entrepreneurs to place their tiny businesses on a sounder economic footing in the future. Otherwise, for them, "Transformation" and "Redistribution" will become two long, meaningless words in South African newspapers and dictionaries, which some are unable to read and most are unable to purchase.

Ever optimistic, some of these respondents asked if they could see our final reports, and it is with this commitment in mind that most of the following studies have been compiled with the

minimum number of tables , diagrams and calculations which, for reasons outside their control, most said they might not be able to understand, We hope that better ways of assisting these people to run their small enterprises more effectively occur as a result of the publication of our reports which indicate that their business aims are simple enough and, not surprisingly, very similar. They wish to raise their living standards more rapidly by dint of their own efforts, enjoy better health, educate their children beyond the basic standards they achieved, and take their rightful place in a civic society of which they and all other South Africans can feel justifiably proud.

ABSTRACT

This study examines characteristics of the business linkages between a sample of small, medium and micro-enterprises (SMMEs) and two large corporate buyers in Durban and Pietermaritzburg, South Africa. Special attention is given to the task environment for SMMEs and to the intermediation of their business linkages with large firms. Data for the study were generated through 31 questionnaire-based interviews with representatives of SMMEs and through similar interviews with representatives of the two corporate buyers. In addition to the basic characteristics of the businesses and their trade with the larger firms, the study sought to address constraints that restrict business linkages and alternative means for intermediating more extensive business linkages between large and SMME firms. The study also examines government interventions aimed at encouraging sustainable growth of SMMEs and, in particular, historically-disadvantaged firms.

Authors

Tom McEwan [mcewan@busad.unp.ac.za] was formerly Principal Lecturer and Deputy Head of the Department of Business Studies, and International Director of the Portsmouth Business School, University of Portsmouth, England. He is currently Professor of Business Administration and Head of the Department of Business Administration, School of Business, at the University of Natal, Pietermaritzburg, South Africa.

Donald Mead [mead@pilot.msu.edu] was formerly Professor of Agricultural Economics, Michigan State University, East Lansing, United States of America. He also has nearly 20 years experience on various Equity and Growth through Economic Research projects in Africa, and visits Southern Africa regularly to keep abreast of new developments.

Nhlanhla Moses Ndlovu is a Research Assistant in the Department of Business Administration, School of Business, University of Natal, Pietermaritzburg, who is registered for a Masters Degree in Small Business Development in KwaZulu-Natal.

TABLE OF CONTENTS

	<i>Page</i>
1. INTRODUCTION	1
1.1. Scope and Nature of the Project	1
1.2. Performance of SMMEs	2
1.3. The SMME Environment	2
1.4. Methodology and Questionnaire	2
1.5. The Sample	3
1.6. Issues Addressed in the Research Project	3
2. THE RESEARCH PROJECT IN CONTEXT	4
2.1. The Corporate Buyers	4
2.2. The Macro-Environment and Government Intervention	5
2.3. Government Intervention at the Provincial and Local Levels	6
3. PRELIMINARY INTERVIEWS WITH THE CORPORATES ‘ MANAGERS	7
3.1. Umgeni Water	7
3.2. Hulett Aluminium	8
3.3. Classification of SMME Respondents Supplying Umgeni Water	8
3.4. Classification of SMME Respondents Supplying Hulett Aluminium	9
4. STRUCTURAL CHARACTERISTICS OF SMME ENTREPRENEURS	9
4.1. Age	9
4.2. Gender	10
4.3. Marital Status	10
4.4. Education	10
4.5. Previous Work Experience	11
4.6. Age of the Enterprise	11
5. INTERNAL CHARACTERISTICS	11
5.1. Number of Employees	11
5.2. Number of Managers and Supervisors Employed	11
5.3. Use of New Technology	11
5.4. Turnover	11
5.5. Legal Status of the Enterprise	12

5.6.	Payment of Provisional Tax	12
5.7.	Payment of Value Added Tax	12
5.8.	Unemployment Insurance Fund Registration	13
5.9.	PAYE Registration	13
5.10.	Provisional Taxpayer Registration	13
6.	TASK ENVIRONMENT	13
6.1.	Initial Contact with Buyers	13
6.2.	Number of Buyers	13
6.3.	Use of Contracts	14
6.4.	Buyer Mentoring and Advice Service	14
6.5.	Technical Advice from Buyers	14
6.6.	Financial Help from the Buyer	14
6.7.	Problems with Linkages	14
6.8.	Business Problems	15
6.9.	Business Improvement Factors	15
7.	CONTRIBUTIONS OF OTHER ORGANISATIONS AND INSTITUTIONS	15
7.1.	National, Provincial and Local Government	15
7.2.	Careers Advice Centre	16
7.3.	Trade Unions	16
7.4.	Banks	16
7.5.	Business Support Centre (BSC)	16
7.6.	Chambers of Commerce	17
7.7.	Black Business Associations	17
7.8.	Professional Bodies and Professional Associations	17
7.9.	Universities and Technikons	17
8.	DISCUSSIONS WITH RESPONDENTS AND CORPORATE MANAGERS	18
8.1.	Umgeni Water & Hulett Aluminium Support for SMMEs	18
8.2.	Goods and Services Supplied Through These Linkages	18
8.3.	Motivation For (Or Driving Force Behind) These Linkages	19
8.4.	Constraints Limiting Suppliers' Development of Linkages	20
8.5.	Future Development of Business Linkages : Buyers' Perspectives	21
8.6.	The SMME Entrepreneurs' View of the Business Linkage Programme	22
9.	PRACTICAL RECOMMENDATIONS TO ENHANCE BUSINESS LINKAGES ...	23
10.	RATIONALE FOR MAIN RECOMMENDATIONS CONCERNING CORPORATES	24

10.1	Umgeni Water	24
10.2.	Hulett Aluminium	26
11.	POSTSCRIPT: RECENT INITIATIVES SINCE FINAL WORKSHOP	27
	REFERENCES	28
	OTHER EAGER PUBLICATION	29

1. INTRODUCTION

1.1. Scope and Nature of the Project

The theoretical perspective and implementation of this project are based on two considerations. The first is the basic hypothesis that the behaviour, performance and growth of small, medium and micro enterprises (SMMEs) are influenced by the nature of the business linkage, or dyadic relationship, established between individual 'buyers' and specific 'suppliers'. Once established, this linkage is obviously affected by 'third party' intermediaries which, at the simplest level, lead to the formation of a 'triadic' relationship (Simmel, 1964), and the latter may develop into more complex structures, although consideration of these is outside the scope of this project.

The second consideration consists of a study which analyses and compares the behaviour, performance and growth of a sample of SMMEs, mostly located in the Greater Pietermaritzburg Metropolitan Area (GPMA), but including a small number of the enterprises in the Durban Metropolitan Area. The study focuses initially on the structural characteristics of the SMMEs and entrepreneurs who act as suppliers of different goods and services to two large corporate buyers, both located in Pietermaritzburg but with processing facilities and other financial interests in KwaZulu-Natal and elsewhere in South Africa. Thereafter, attention is focussed on exploring how triadic linkages with different intermediaries have influenced the behaviour, performance and growth of the SMMEs and how these interventions could contribute more to their development in the future.

An intentional omission from the project is a detailed attempt to analyse and compare the personal values and attributes of the SMME entrepreneurs and managers in the sample. This was done for several reasons. The first was that behavioural norms in a business context are considered to be strongly influenced by the prevailing culture of society. Hofstede, (1980), Ronen and Shenkar (1985). The second reason is that much is known about the values and attitudes of the managers of small firms.(Bamberger, 1983, 1986, and the STRATOS Group, 1990), although not in a South African context. However, the latter study of managers of small European businesses comprised some thirty eight pages of 500 fully structured questions, which far exceeds the scope of this smaller survey.

The third reason is that South African society, particularly in KwaZulu-Natal province, is still undergoing rapid change since the Nationalist Government, which supported Apartheid policies, lost power in 1994. In short, it is probably still too early to generalise about the emergent business culture in South Africa with any degree of confidence. However, short open-ended interviews were conducted after respondents had completed a structured questionnaire and their comments and attitudes, which refer mainly to specified topics in the questionnaire, are included later in this report.

1.2. Performance of SMMEs

For reasons given below, the SMMEs in the sample were assumed to be mostly dependent on two large local corporates for either their basic survival, at one extreme, or their continued performance, which includes growth, profitability, market share and independence, (STRATOS Group, 1990), at the other.

1.3. The SMME Environment

Dill (1958) was probably the first to explore the concept of the ‘task environment,’ which he defined as “that part of the total environment which was potentially relevant to goal setting and goal attainment.” However, the task environment is normally distinguished from the macro-environment, which contains those general conditions of concern to all organizations (Hall, 1972). By making this distinction, it becomes possible to focus on elements of the SMME, as supplier, and the corporate firm, as buyer, with which it already has dyadic relationships or linkages, as well as elements of sectors of the environment which can be considered as potential transaction partners, or intermediaries.

Because of the smallness of some of the enterprises in the sample, and the small number of employees involved, information on the structural characteristics of entrepreneurs was gathered rapidly, and this aspect is summarised first below. The internal characteristics of a firm which include in particular its size, financial capabilities, the technologies it uses, and its legal status (STRATOS Group, 1990) were also studied, and these are summarised immediately afterwards in the report.

However, the survival and growth of SMMEs in South Africa is also influenced by that part of the macro-environment which is legitimately concerned with small and medium-sized enterprises as contributors to the economy at the national, provincial and local levels. It follows that the relationship between a specific ‘supplier’ and individual corporate ‘buyers’ would be influenced by various intermediaries, and the impact of these is also investigated from the standpoint of the different SMME respondents.

1.4. Methodology and Questionnaire

The individual phases of the methodology included the selection and preparation of the survey instrument and, since two interview teams were involved, agreement was also reached on the broad range of topics which should be covered, for example, in the open-ended section of the interview.

The questionnaire, which appears as Appendix B, was not fully completed during every interview, which normally lasted up to an hour and a half. When shorter interviews occurred, this was because various questions were not applicable to respondents from very small business enterprises.

1.5. The Sample

During the four month period ending in March 1998, representatives were interviewed from 31 SMME enterprises engaged in business linkages with two major corporates in the Pietermaritzburg area.

1.5.1. Sample of SMMEs Supplying Umgeni Water

An initial sample of nine SMMEs was chosen by Umgeni Water, not all of whom were willing to be interviewed, so a second list of 23 firms was later provided. All interviews were arranged by the team, subject to the availability of the entrepreneurs and managers. In all, respondents from 19 of these SMMEs were interviewed, although over 80 were contacted by telephone from the original list of over 200 enterprises provided by the company. Many SMMEs were difficult to contact, either because they were later found to have gone out of business, or no longer supplied Umgeni Water because their original list was no longer up to date. It must therefore be noted that the sample of SMMEs should not be regarded as either randomly chosen or as fully representative of the full list of suppliers. Details of the data gathered during the interviews is presented in APPENDIX A, however a summary showing the different categories of enterprises by size and number of buyers as presented in Table 1 below.

1.5.2. Sample of SMMEs Supplying Hulett Aluminium

Twelve firms were interviewed by two different members of the team and summary information about these enterprises appears in Table 2 below. Respondents were chosen by Hulett Aluminium from a list of over 1,000 suppliers, many of whom are larger, white-owned businesses. Some of these are no longer active because of a recent corporate decision to reduce the list to 100 suppliers, comprising one 'main' and one 'reserve' supplier for the most commonly required stock items. Here again, it cannot be assumed that the sample of SMME respondents was either randomly chosen or representative of the total number of enterprises in the original master-list of suppliers.

1.6. Issues Addressed in the Research Project

Because of the non-random nature of the sample, hypothesis-testing was regarded as invalid, and the overall direction of the research project was focussed on discussing the practical implications of the research project with representatives of various national, provincial and local 'stakeholder' institutions in two workshops held at the University of Natal in Pietermaritzburg in 1997 and 1998, when the following issues were addressed :

1.6.1. Are Umgeni Water and Hulett Aluminium engaged in significant numbers of linkages with historically disadvantaged SMMEs?

1.6.2. If so, what activities are supplied through these linkages, in terms of goods and services?

- 1.6.3. What is the motivation for these linkages?
- 1.6.4. What constraints, if any, restrict the development of these linkages?
- 1.6.5. What other institutional arrangements exist which promote economically viable linkages?
- 1.6.6. How do Umgeni Water and Hulett Aluminium view the development of their SMME linkages programmes?
- 1.6.7. How do SMME entrepreneurs view their relationship with the buyers?
- 1.6.8. Can any practical steps be taken to increase the economic activity of these linkages and to increase their contribution to economic efficiency and welfare?

2. THE RESEARCH PROJECT IN CONTEXT

2.1. The Corporate Buyers

The two corporates discussed below were included in the project for two reasons: firstly, they are commonly viewed as leaders in promoting small, historically disadvantaged enterprises through their affirmative procurement policies in the Greater Pietermaritzburg Metropolitan Area. Secondly, each corporate is influenced to a greater or lesser degree by government policy. The influence is incontestable in Umgeni Water's case, because the enterprise is wholly owned by the government through the Ministry of Water Affairs. Government influence is more indirect in the case of Hulett Aluminium, which is a privately owned company; however its financial standing is affected by government policy, because it will increasingly rely on electricity being supplied at discounted rates by the national electricity generating authority as its new processing plant at Pietermaritzburg comes into full production.. This concession is intended to enable the new Hulett plant to compete internationally during its initial operations. It is therefore not unreasonable to argue government has, or may wish to exert at a later stage, considerable leverage over both of these corporate enterprises.

2.1.1. Umgeni Water

Umgeni Water monopolises water treatment, storage, infra-basin transfer and supply, as competition would be impractical, in view of the high transportation costs of a bulk commodity like water from another province. Its area of operations includes the entire coastal and midland regions of KwaZulu-Natal province. This area is dominated by the greater metropolitan areas of Durban and Pietermaritzburg, but also includes small municipalities and townships ranging from Stanger in the North to Mpumalanga in the South. Total Water sales amounted to R315 182 MI bringing in revenue of R393 million (approx \$75 million) in 1997. Over 99 per cent of this service

was delivered to the two greater metropolitan areas and coastal and inland municipalities mentioned previously, however sales to rural townships rose from R0.152m to R3.558m between 1996 and 1997 as the customer base increased from 4,000 to over 16,000 consumers. This increase is reflected in the demand for steel meter boxes for rural communities, which is the major source of SMME business linkages promoted by Umgeni Water discussed in this report. A further R500m expenditure on capital developments for improving the water supply to rural communities has been budgeted over the next five years.

2.1.2. Hulett Aluminium

Hulett Aluminium is a subsidiary of the privately-owned Hulett Tongatt group of companies which specialise mainly in the growing and processing of sugar products in South Africa. The group diversified into aluminium fabrication following the withdrawal of a leading North American company as a form of economic sanction during the Apartheid period. Hulett Aluminium has since commissioned a R2.4b. (\$460m) new semi-fabrication aluminium plant on the outskirts of Pietermaritzburg which is due to commence production in 1999 and a peak capacity of over 50,000 tons per annum is expected to be achieved in 2001/2. Because the new plant will be run along Computer Aided Manufacturing lines, fewer than 1,000 new jobs will be created by this investment.

2.2. The Macro-Environment and Government Intervention

Government is necessarily concerned with society's expectations of business as a contributor to the South African economy at the national, provincial and local level. As such, government intervention normally takes three forms: it gives incentives, either through subsidies, changes in import or export policies, or manipulation of fiscal regulations; it is a customer or promoter, either as a 'buyer' or by encouraging consumers to purchase national rather than imported goods or services; it is a guardian of the market system which best matches the prevailing socio-political aspirations of the electorate, and which is achieved either as a regulator of prices, the formulation and implementation of regulatory standards, or by issuing import or export licenses.

2.2.1. Government Intervention Involving Umgeni Water

The Minister of Water Affairs and Forestry maintains close supervision over Umgeni Water's activities in respect to corporate governance, infrastructure development and the water tariff charged to rural communities. To accelerate transformation, the two year terms of office of all members of all water boards supplied by Umgeni Water were terminated by Government Regulation on 30 April 1997 and new boards have since been appointed.

2.2.2. Government Intervention Involving Hulett Aluminium

Hulett Aluminium is a privately owned company which, nevertheless, has attracted financial support from the Department of Trade and Industry and the Industrial Development Corporation.

In addition, it stands to benefit from subsidised electricity costs which should enable the company to compete in the highly competitive global market for fabricated aluminium products.

2.3. Government Intervention at the Provincial and Local Levels

The Zulu people are the largest native population in South Africa; yet, because of political fragmentation, KwaZulu-Natal is the third poorest province, despite the Greater Durban Metropolitan Area contributing the second highest GDP in the country. The 'Building The Economy' section in 'Implementing the RDP in KwaZulu-Natal' (RDP,1995) notes that the province has the largest population (over 8.4 million) and the highest number of minors under the age of 15 years in South Africa.

Only 56 per cent of the labour force are employed in the formal economy, which resulted in the third largest outflow of migrant workers, resulting in 14.7 per cent of families with no source of income due to male absenteeism. This confirms previous studies by Krige et al. (1994), who report that 57 per cent of all families living in the province have a total income well below the average living wage, and Turp (1994), who notes that KwaZulu-Natal has the third lowest level of GDP per capita in the nation, despite the large contribution of Durban, Richards Bay and Pietermaritzburg.

According to the RDP Report (1995), the ability to address the situation is constrained by a population density 2.7 times that of the rest of South Africa. As a consequence, infant mortality, dependency due to family size, pupil-teacher ratios and non-school attendance are the highest in the country. Conversely, the rates of literacy, personal income, life expectancy and medical officers per 1,000 population are all lower than elsewhere in South Africa. The Human Development Index (which includes life expectancy, income and literacy levels) is 0.58 for KwaZulu-Natal, compared with 0.69 for the rest of South Africa, and approaching 1.0 in Northern Hemisphere countries. The causes are complex and include the persistent lack of regional development during the 35-year Apartheid era, which has resulted in between 20-90 per cent unemployment in some regions during the 1990s, with an overall average of almost 30 per cent (SA Population Survey, 1998).

Provincial government strives to redress historical imbalances through new job-creation initiatives promoted by the KwaZulu-Natal Economic Forum and the KwaZulu-Natal Investment Bank. Intervention is still hindered by the a lack of political stability in the province. Politically-based murders and other violent crime are well above international standards due to a failure of the rural-based IFP opposition and ruling ANC party to reach a political accommodation. In addition, an estimated one-third of South Africa's 2.75 million HIV-Aids cases live in KwaZulu-Natal. (SABC news report on South African International HIV-AIDs Conference, Pretoria, 1998).

2.3.1. Impact on Umgeni Water's Corporate Strategy

One of the main objectives of the change in national policy is to ensure more rapid expansion of the Rural Areas Water and Sanitation Plan which provides water to approximately 800,000 historically disadvantaged people living in rural areas. Umgeni Water claims to have responded to this demand by increasing infra-structural growth by 37 per cent annually since 1992, and that it will have reduced the water tariff by 21 per cent in real terms over the ten year period ending on 1 January 1999.

2.3.2. Impact on Hulett Aluminium's Corporate Strategy

By way of acknowledging the public sector support referred to above, Hulett Aluminium has expressed public interest in encouraging the 'downstream' developments of SMMEs which will fabricate aluminium-based products (Alutec Conference, Pietermaritzburg, 1997 and Gateway/Hulett Aluminium Windows and Doors Manufacturing Pilot Project, 11 December, 1996), which were intended to help alleviate high unemployment in the Greater Pietermaritzburg Metropolitan Area.

3. PRELIMINARY INTERVIEWS WITH CORPORATE MANAGERS

Three senior managers each from Umgeni Water and Hulett Aluminium were interviewed in an attempt to identify their approaches and any differences in perspective towards the development of business linkages with black SMME businesses before a sample of these suppliers was interviewed. In the case of Umgeni Water, interviews were held with the commercial manager; the micro business development manager; and one of the company's five senior buyers. The Hulett Aluminium interviews were with the chief executive officer who has overall responsibility for commissioning the new aluminium fabrication plant at Pietermaritzburg, the purchasing manager, and the business development manager. Informal meetings were also held with the commercial manager and the purchasing manager of both corporates before and during the second workshop when preliminary findings were presented. Among the points that emerged from these discussions were the following.

3.1. Umgeni Water

Two broad points issues were discussed during these interviews. All three managers indicated that Umgeni Water recognised an underlying social responsibilities commitment which influenced the company's approach towards sustaining business linkages with SMMEs. An experienced Zulu micro business development manager had also been appointed to facilitate greater understanding of the problems experienced by SMME entrepreneurs and how these might be overcome.

Secondly, it was stressed by two managers that their links with black SMMEs had developed before the African National Congress (ANC) party assumed power in 1994, and were independent of any prompting from or intervention by government officials at the national, provincial or local

authority level. The senior buyer supported this point that the policy had previously been developed by another GPMA-based company where she was formerly employed; the Umgeni Water initiative was developed by her with the support of the commercial manager. Business links had been established with over 200 SMMEs during the past five years, although not all of these are currently active; however, the senior buyer intervened in a positive way to identify a further 23 enterprises when difficulties in arranging interviews were reported.

3.2. Hulett Aluminium

Hulett Aluminium stated that their commitment to black SMME development was formally adopted in 1992, and all three managers spoke about various initiatives which the corporate has launched or in which they have participated with other corporates or local intermediaries, which were all aimed at reducing unemployment amongst the historically disadvantaged community.

However, the chief executive officer was unable to state when this policy would be extended to include the additional 'downstream' developments referred to above because too few viable black SMME businesses or viable business opportunities had been identified locally. As a private corporation, they are compelled to operate competitively in a global market. At the same time, they want to encourage the development of historically disadvantaged entrepreneurs, and have contributed financially to various initiatives promoting these specific aims in the Natal Midlands and elsewhere in South Africa, but they could not afford to carry the cost of dealing with undeveloped enterprises if this policy led to delays, poor quality, or other forms of increased costs which affected their own business.

3.3. Classification of SMME Respondents supplying Umgeni Water

A standard survey instrument was used in each interview, although replies were not recorded for every item either because of uncertainty on the part of the respondent, or else the full interview would have taken more time than the respondent could make available. Details of the data collected during the interviews is presented in Appendix A, and the main findings are summarised below. A number of open-ended questions were also asked about different aspects of the business linkages; these findings are discussed later in this Report.

The supplier enterprises included in the sample can be classified as follows:

TABLE 1
UMGENI SAMPLE

	Small	Medium	Large
One buyer	Plumbing (1) Painting contractors (1) Steel & sheet metal (3)		Security (1)
Few buyers	Steel and welding (4) Concrete blocks (1) Electrical repairs (1)	Engineering and sheet metal work(2) Civil engineers (1)	
Many buyers	Sheet metal work (1)	Computer software (1) Building construction (1)	Office cleaning (1)

Of the 19 enterprises in the sample, 12 were classified as in manufacturing, which mainly consisted of SMMEs producing steel ‘meter boxes’ in small quantities for installation in townships, etc. The remaining seven enterprises performed diverse services ranging from industrial painting to marketing and servicing computer software.

3.4. Classification of SMME Respondents Supplying Hulett Aluminium

Unlike the Umgeni Water sample of respondents, the majority of enterprises interviewed among Hulett suppliers are in the service sector and include one each in office cleaning, catering, painting, smelting (recycling aluminum scrap), computer supply, private transport, electrical repair, plumbing, the grinding of tools, and the stamping aluminum parts. Only two enterprises were engaged in manufacturing activities involving metal fabrication, similar to the majority of respondents supplying Umgeni Water.

4. STRUCTURAL CHARACTERISTICS OF SMME ENTREPRENEURS

4.1. Age

The age-range of the Umgeni sample was from 30-55 years (mean = 48 years), compared with 35-60 years in the Hulett Aluminium (mean = 46 years).

In searching for characteristics by age, there was above average representation in the age group of respondents over 40 years of age which, if not too late for starting a small business, is almost too late to be failing, especially if the entrepreneur has children to support at school and other family commitments.

TABLE 2
HULETT SAMPLE

	Small	Medium	Large
One buyer	smelter stamping parts transport plumbing		
Few buyers	painter computer supply electrical repair metal fabrication (1)	metal fabrication (1)	
Many buyers		grinding tools	office cleaning catering

4.2 Gender

All of the Umgeni respondents were males as was the majority of the Hulett sample, however two females were included in the latter sample; one running her own enterprise, the other in partnership with her husband.

4.3 Marital Status

All of the 19 respondents who answered this question were married .

4.4. Education

Of the 25 respondents who answered this question, one had completed lower primary school education (Standard 3), five higher primary education (Standard 6), six secondary level (Standard 9), one had matriculated (Standard 10), nine had completed some tertiary education or its technical equivalent, and three had completed tertiary education as graduates or diplomates. Compared to the usual patterns for those running SMMEs, these are unusually well educated people and doubts must be expressed about whether some respondents wished to impress rather than provide accurate information.

4.5. Previous Work Experience

23 respondents completed this question and all of these had worked for at least one other employer before starting up their own business. Only 15 respondents provided details on their experience of working for other employers, which ranged from 2 to 27 years (average = 13 years).

4.6. Age of the Enterprise

25 respondents answered this question, and of these seven had been formed since the previous Nationalist Government relinquished power in 1994, nine were over five years old, five were up to ten years, two up to fifteen, and two of the larger SMMEs supplying Hulett Aluminium were over 20 years old.

5. INTERNAL CHARACTERISTICS

5.1. Number of Employees

Of the 21 respondents who answered this question, ten supplying Umgeni Water and two supplying Hulett Aluminium employed five or less workers, including themselves. Three employed between six and ten workers, and four employed between 10 and 30 workers, themselves excluded. Two of the Hulett respondents were very large, employing 600 and 1400 workers, respectively.

5.2. Number of Managers and Supervisors Employed

Of the 25 respondents who provided information, all those supplying Umgeni Water regarded themselves as 'owners' who had no need to employ any managers. Among the Hulett respondents, two each employed one manager while three employed at least two managers and supervisors.

5.3. Use of New Technology

All respondents possessed telephones and typewriters, and seven of those supplying Umgeni Water also had word processors, faxes and cellular telephones. Otherwise, no new technology (viz. CAD/CAM systems) was used for manufacturing purposes. The acquisition of new technology was a recognised budget item for three of the largest companies supplying Hulett Aluminium.

5.4. Turnover

All respondents were reluctant to provide information about turnover possibly because of a lack of trust in the interviewers, despite the presence of a Zulu research assistant in both interview teams. For example, a respondent who ran a successful office cleaning business employing 90 people stated that his turnover was only R10 000 (US\$ 2,000) per month. When this was queried, he left

the room to confer with his accountant before confirming this amount, which was much less than the typical weekly rent for similar large office premises on the second busiest street in Durban.

Two other Umgeni Water respondents stated that their turnover was so small, it could not be estimated, or was unknown until the books were audited every six months. Conversely, three respondents probably exaggerated their success and repeated the amounts in English for the benefit of the second interviewer, despite the interviews being conducted in Zulu. For these reasons, the following summary provided by only 63 per cent of those supplying Umgeni Water should be treated with caution:

Turnover/ annum(Rands)	US\$	% Frequency
Up to R10,000	\$2,000	11
Up to R15000	<\$3,000	6
Up to R30000	<\$5,000	6
Up to R50000	<10,000	6
Up to R100,000	<20,000	6
Up to R200,000	<40,000	11
Up to R400,000	<80,000	11
Up to R1million	<200,000	11
Unknown		37

An average exchange rate of US\$1 = R5 was assumed for the period during late- 1997 to early 1998.

5.5. Legal Status of the Enterprise

Of the 25 respondents who answered this question, 17 were sole proprietorships and six were partnerships; only two were closed partnerships.

5.6. Payment of Provisional Tax

All of the 22 respondents who answered this question were provisional taxpayers.

5.7. Payment of Value Added Tax

Of the 28 respondents who answered this question, 25 paid Value Added Tax and the remaining three reported such low turnovers that VAT payments would have been inapplicable.

5.8. Unemployment Insurance Fund (UIF) Registration

16 of the twenty respondents who replied to this question were UIF-registered, whereas the remaining four were not registered, probably because they employed casual labour only.

5.9. PAYE Registration

23 respondents answered this question. Of these, 18 were Pay-As-You-Earn (PAYE) registered. The remaining five were not PAYE-registered, probably because they employed only casual labour who received 'lump sum' daily payments from which no taxes, etc., were deducted by their employers.

5.10. Provisional Taxpayer Registration

This question was left unanswered by almost half of the sample, however the remaining 16 respondents stated that they were registered as provisional taxpayers.

6. TASK ENVIRONMENT

The relationship between the SMMEs and the task environment was found to be more directly observable because enterprises in the sample mainly supplied the two stated corporates in the Greater Pietermaritzburg Metropolitan Area, and this aspect is discussed before other relationships with intermediaries in the macro-environment.

6.1. Initial Contact with Buyers

Of the 16 respondents who answered this question, three had previously worked for one of the large corporate buyers, five made contact through the Business Support Centre in Pietermaritzburg, four were referred by the Small Business Development Agency which operates nationally, two made direct contact, and a further two submitted successful tenders for contracts advertised by the company.

6.2. Number of Buyers

24 respondents answered this question, of whom ten sell to only one buyer (Umgeni or Hulett). An additional six currently supply two or three different companies, six supply between five and ten companies, whereas the other respondents worked for the largest SMMEs in the sample which supply over 100 different companies.

6.3. Use of Contracts

Of the 27 respondents who answered this question, 23 received one-off contracts, as works orders, whereas four supplying Hulett Aluminium stated that they normally received verbal orders over the telephone.

6.4. Buyer Mentoring and Advice Service

Of the 24 respondents who provided answers to this question, only two suppliers to Umgeni Water indicated that they had received any help from this large buyer. The remaining 22 indicated that they had received no help from the buyers. It appears that buyer mentoring is not at all common among these enterprises.

6.5. Technical Advice from Buyers

Only three of 22 respondents, all supplying Umgeni Water, stated that they had received technical advice about manufacturing problems. The remaining 19 respondents stated that they had never received or requested technical advice from either corporate buyer.

6.6. Financial Help from the Buyer

One of the 26 respondents supplying Umgeni Water had received financial help as an advance payment within the normal 30 days payment period for a completed order. The remaining respondents had either never received or were unaware that the corporate offered this service in extenuating circumstances. Similarly, none of the eight respondents supplying Hulett Aluminium had ever received any advanced payment from this buyer.

6.7. Problems with Linkages

The questionnaire asked about the most serious problem and second most serious problem with business linkages. Looking at the former most serious problem, 21 respondents provided answers. Eight of these stated that their contracts/orders were too small. A further three referred to the unhelpful attitude of Umgeni Water management after orders had been placed, and three more complained about delays in payment and variable order sizes. The remaining seven respondents stated that no problems existed in their dealings with either corporate.

Among the secondary problems, eight of the 16 respondents who answered this question stated that orders needed to be placed more regularly by both corporates, whereas four claimed that racial discrimination determined the size and value of orders in a 'pecking order', which led to the largest orders being awarded to white-owned enterprises, followed by Indian, with black-owned enterprises obtaining the smallest and most unpredictable orders from corporates.

A further four respondents claimed that they carried a proportionately greater risk than either Umgeni Water or Hulett Aluminium, who could both afford to reject marginally unsatisfactory orders after delivery, whereas rejections could put them out of business.

6.8. Business Problems

The questionnaire also raised more general enquiries about principal and secondary problems facing each enterprise. Five of the respondents supplying Umgeni Water indicated that their first need was for help in calculating costs correctly, and another four admitted being unable to deal with the threat of competition, especially in producing steel 'meter boxes', however no information was provided by eleven of the other respondents.

In contrast, three of those supplying Hulett Aluminium stated that they needed advice on how to manage growth, and another respondent required advice on controlling wage demands, costing manufactured items, coping with competition, and arranging sound financial loans.

Only five of the respondents listed a second general business problem. Three of these stated that profits were too low, and the remaining two claimed that they were not paid on time by either corporate.

6.9. Business Improvement Factors

Only four respondents answered this question, of whom two indicated that they required more skills and training in the management of a small business, one reported that more, firmer orders from Umgeni Water would improve his business prospects, whereas the other thought that he had to develop greater personal commitment in striving to become more successful.

7. CONTRIBUTIONS OF OTHER INSTITUTIONS AND ORGANISATIONS

Various institutions and organisations are in a position to contribute in important ways to the initiation and development of business linkages. Among the institutions and organisations identified are national, provincial and local government (the latter in the form of the Pietermaritzburg Transitional Local Council); the Careers Advice Centre; banks; trade unions; the local Business Support Centre (BSC); the Pietermaritzburg Chamber of Commerce and Industry (PCCI); black business associations such as the Black Business Forum (BBF); professional bodies or associations; and local universities and technikons.

7.1. National, Provincial and Local Government

None of the 23 respondents who answered this question identified actions by government as contributing significantly to the development of SMMEs. In general, respondents viewed government at all levels as being well-intentioned but out of touch with the needs of black entrepreneurs in particular.

7.2. Careers Advice Centre

Three of the respondents supplying Umgeni Water were aware of the Careers Advice Centre, but none had ever made use of the services offered by this organisation.

7.3. Trade Unions

14 of the respondents supplying Umgeni Water reported that they had had no dealings with trade unions, whereas one of the larger 'servicing' enterprises who did have contacts with the unions used the occasion to criticise trade unions for allegedly interfering in his dealings with employees, which had damaged the 'open door' policy that he said had existed prior to unionisation of the workforce.

7.4. Banks

Of the 20 respondents who answered this question, five stated that they have dealings with local branches of national banks, whereas 13 regarded banks as either irrelevant or indifferent to the needs of their businesses. Two more respondents in the 'services' sector had overdrafts of between R200 000 and R250 000, which had been used to start or develop their businesses. One, a building contractor, stated that dealings with a bank were unavoidable because of a requirement that a surety of up to 10 per cent, often worth over R1 million, had to be paid before civil contracts could be awarded.

7.5. Business Support Centre (BSC)

Five of 21 respondents were aware of the various training activities offered by the local Business Support Centre (BSC). These included the three large SMMEs which supplied Hulett Aluminium. Each of these supported the BSC financially or as a member of its Management Committee. Only one respondent had ever sent an employee to the local BSC for training.

Two reasons were given for ignorance about this training service, namely, that it was not perceived to be really relevant to their working lives, and, this aside, courses were provided at times when they could not afford to be away from their businesses. One respondent stated that he had obtained help from the BSC in obtaining the professional assistance of a Quantity Surveyor.

None of the respondents reported any awareness of the BSC's other primary function of linking suppliers with buyers. Aside from the few who were aware of its activities in the area of training, respondents regarded intermediaries like the BSC as peripheral to the growth of SMME linkages.

On the 'buyer' side, both Umgeni Water and Hulett Aluminium are generous in their financial support of the BSC and have been members of its Management Committee since its formation. However, both reported that they find their own suppliers and pass names on to the BSC for inclusion in the Service Centre's data base of potential suppliers. In a few cases, they might suggest that the BSC offer business training to these suppliers. One Hulett Aluminium manager

added that “the BSC concentrates on small retailers, manufacturers of burglar bars and things like that, all micro-enterprises that are too small to be of interest to Hulett Aluminium.”

7.6. Chambers of Commerce and Industry (CCI)

Of the 23 respondents who answered this question, only five knew about the role of chambers of commerce. The three largest Hulett Aluminium SMME suppliers were active members of the PCCI in Pietermaritzburg, although none of these respondents saw the PCCI as relevant to the development of business linkages. The two other respondents were well-informed about chambers of commerce (one had attended a meeting but was not interested in further contact), and both thought chambers of commerce were irrelevant to their business activities.

7.7. Black Business Associations

None of the respondents belonged to a black business association, and few of those dealing with Umgeni Water were willing to discuss this topic, but the three who did stated that black business organisations, such as Black Business Forum/Caucus, had different aims which were not seen as important in making SMMEs successful. One of these respondents criticised the retention of business practices which favoured white and Indian South Africans at the expense of emerging black entrepreneurs.

Another respondent in the service sector added that he had personally launched a fast-growing ‘independent’ employers association among black entrepreneurs in the same line of business, which had since concluded successful agreements with trade unions.

7.8. Professional Bodies and Professional Associations

Only two of 17 respondents who answered this question belonged to any professional association. One of these stated that he had joined the association to enable him to make business contacts through use of a data base, and also to keep abreast with recent developments in his field. The other small supplier is also in the ‘services’ sector and belongs to a national Electrical Association, which holds seminars and invites companies to give presentations on new developments.

7.9. Universities and Technikons

Two respondents employed as managers with a Durban-based SMME in the ‘services’ sector had recently completed professional courses at a local university.

Other institutions such as technikons were seen as marginally less peripheral than universities and four respondents possessed certificates and diplomas in craft-related activities such as welding, etc., gained at local technikons. Further education and training was recognised as important by these respondents providing it was work-related and available at suitable times.

8. DISCUSSIONS WITH RESPONDENTS AND CORPORATE MANAGERS

Additional discussions took place with respondents during the interviews as well as with participants who attended two workshops at the University of Natal, Pietermaritzburg, and with managers from the two corporates. The aim of these discussions was to address the issues raised in Section 1.6. and obtain clarification of points raised during the interviews.

8.1. Umgeni Water and Hulett Aluminium Support for SMME Development

Although Umgeni Water and Hulett Aluminium are seen as major driving forces behind the development of historically disadvantaged enterprises in the Natal Midlands area, other corporates are also active in this area, but not to the same extent; and their orders were regarded as neither large nor frequent enough to enable the smaller SMMEs to operate efficiently.

The Umgeni Water managers accepted that their purchasing policy towards most SMMEs manufacturing steel meter boxes was inefficient. This has been known for several years and these entrepreneurs have been told repeatedly that the corporate wanted them to become independent of relying on these unavoidably small orders as soon as possible. The aim was for these SMMEs to diversify into other metal fabricated products, selling other products to different buyers so that they could withdraw from meter box production as soon as possible. It was also apparent from discussions with the Hulett Aluminium management that their approach to downstream SMME linkages has been quite consistent with that of upstream linkages, i.e. it is based on rational principles, and is approached in a very business-like way.

8.2. Goods and Services Supplied Through These Linkages

The majority of respondents selling to Umgeni Water are engaged in manufacturing small orders of steel meter boxes. However those SMMEs supplying services—computer programs, maintenance, plant security, office cleaning, and building contracting services—are more successful; they have more employees, higher turnovers and, with one exception, are no longer dependent on Umgeni Water as their main source of revenue.

The Umgeni Water managers confirmed this observation and stressed the need for smaller SMMEs to change because technology is now available which would allow a more efficient and cheaper automatic metering system to be introduced in the townships, thereby reducing the real cost of supplying water to existing and new townships in line with the Ministry of Water Affairs requirements in ways that do not require continuing use of meter boxes..

In the case of the Hulett Aluminium suppliers, two large SMMEs (viz. in catering and office cleaning) deal with very many buyers; Hulett Aluminium is a minor player in their total business. Both firms are white-owned and managed, but operate with black managers at individual sites. These companies are well managed, profitable, and do not need any help. Business linkages are used to expand their overall operations and, with so many buyers, they are also able to supply a

service to many businesses which is working very well. One of these enterprises, engaged in office cleaning, operates through a franchise system, and employs about 600 workers in seven franchises, most of which are in the hands of black entrepreneurs.

It was confirmed during the interview with the Hulett Business Development Manager, who is responsible for developing forward linkages, that the precondition for their support in this area is that the entrepreneur must have a market idea; the identification of a market opportunity by an entrepreneur must be the starting point for Hulett to get involved in the promotion of such linkages.

8.3. Motivation For These Linkages

Corporations engage in business linkages for one or more of three reasons: namely a search for economic efficiency resulting from specialisation, as the corporates seek to concentrate on their core business; avoidance of mandatory legislation related to taxation, labour regulations or safety and health at work; and some form of commitment to social responsibility, perhaps undertaken for public relations purposes or in response to political pressures which would help to reduce unemployment in South Africa. Often, all three of these factors are at work in a given corporation, but in degrees that differ from one to another, and from one linkage contract to another within the same corporation.

With two exceptions, the motivation for Umgeni Water to engage in linkages with the manufacturing SMMEs is based on an expression of social responsibility. However, the small suppliers who participate in these dealings generally lack a sufficient knowledge of basic business practices. As a result, they usually experience a hand-to-mouth existence. That said, it is likely that many of these SMMEs would rapidly go out of business without the ‘paternalistic’ support of Umgeni Water.

The Umgeni Water managers were unable to indicate how long the company will continue to provide this sort work to historically disadvantaged enterprises, however they employ a Zulu micro business development manager for the sole purpose of liaising with these historically disadvantaged entrepreneurs so that problems relating to the purchase of raw material, manufacturing, delivery and payment problems can be discussed and resolved more quickly. Ways of improving this service through more specialised help from managers would continue to be investigated.

There has been some discussion by Hulett Aluminium managers on the possibility of playing a more active role in developing small historically disadvantaged enterprises. If this occurs, corporate policy would be to interact with each new entrepreneur to “give him or her the artillery to attack the target.” This was found to mean: (i) help with writing a business plan; (ii) providing contacts in the financial community, acting as a catalyst in helping obtain financing; and (iii) providing technical ‘backstopping’, with a team of technical experts to provide advice on any aspect of the product. This last point is viewed as the most important.

8.4. Constraints on the Suppliers’ Side Limiting the Development of Linkages

Three main reasons were reported by respondents as placing constraints on the economic development of business linkages: one-off orders for small quantities of meter boxes received from Umgeni Water; the inability to cost and tender accurately and achieve realistic profit margins from the manufacture of meter boxes; and, finally, insufficient information on other corporates in KwaZulu-Natal and how these could be contacted for additional business. Successful SMMEs, including two manufacturers and four firms producing services, have advanced beyond this stage, through diversification and personal drive; these firms reported no major difficulties in achieving successful business linkages with Umgeni Water and with other corporates in KwaZulu-Natal.

The Umgeni Water managers confirmed that they are unwilling to see any entrepreneur go out of business, but added that perhaps as few as three SMMEs are equipped to produce the declining number of steel meter boxes required in the future. No one wanted “to pull the plug” on the remaining SMMEs but this looked inevitable unless these entrepreneurs found different work selling to other buyers. By way of preparing entrepreneurs for this change, a policy of encouraging SMMEs to diversify and adopt more business-like methods is being encouraged. Advice and mentorship continue to be available, but this service is rarely taken up by local entrepreneurs. Umgeni Water management is unable to foresee any new initiatives arising which would provide the same potential start for would-be SMME entrepreneurs as generated in the past by the manufacture of steel meter boxes.

Some ambiguity exists over the terms of payment employed and an Umgeni Water manager confirmed that payments were sometimes made in less than 30 days, but added that these were occasionally delayed in cases where SMMEs had not paid their own suppliers for raw materials such as the steel used for making meter boxes. Whether it is the role of the corporate to act in an interventionist, paternalistic manner is a question which will no doubt be raised more often in the New South Africa!

As in the case of Umgeni Water, some of Hulett Aluminium’s suppliers have done very well and require no further assistance. The main problem all face, as with Umgeni Water’s suppliers, is the size and regularity of orders to enable them to improve in their efficiency and profitability as suppliers. Of the ten firms interviewed which face the most serious problems, two (a small painter and a small plumber) have poor management skills, and are in need of help for costing, strategic planning, and several other aspects of doing better in business. All the other firms have adequate but not outstanding management and business skills, although one of them expressed a wish for training to enable him to improve. A common feature of all these firms is the need for more work. In some cases, there has also been a serious problem due to work being unpredictable and erratic so, in addition to wanting more, these firms also fervently wish it to be on a more regular basis.

With minor exceptions, the Hulett Aluminium management confirmed that no advice, training, or other assistance has been given to any of these firms, other than some instruction emphasising their focus on safety, which is of special concern to this corporate. When suppliers were interviewed about help received from Hulett Aluminium (“buyer mentoring”), most said that they did not need such assistance. Instead, what they say they need is more business, and on a more regular basis.

From their side, Hulett Aluminum management said that they work with the suppliers to make clear what is wanted. It was apparent from our interviews that, in practice, only limited amounts of assistance are given, or requested, although the latter is probably influenced by doubts about assistance ever being provided.

The payment terms were reported to be acceptable in all cases except one, a painter who was frustrated that a part of the payment (10%) was retained for three months, in case of problems. The difficult is that such problems were often due to other participants in the construction process rather than from painting (viz. if a wall cracks, it is really the fault of the contractor, not the painter, yet he would have to come back and paint it again). This seems to be standard practice in the industry, but also seems most unfair for the small supplier. Furthermore, two of these respondents clearly need improved skills in the area of costing. It would also be desirable to help the painter explore the issue of retention fees, to see if procedures could be modified to make them more attentive of the needs of small suppliers.

8.5. The Future Development of Business Linkages : Buyers' Perspectives

The three Umgeni Water buyers accepted that the original business linkages programme has not developed as successfully as had first been hoped. If anything, it has 'marked time' by focusing on the manufacture of meter boxes by SMMEs, although most of the suppliers are not efficient and have not been helped to move towards increasing efficiency. The aim had been to encourage historically disadvantaged SMMEs to grow and diversify in order eventually to become independent of Umgeni Water, but successful examples are regrettably rare; and Umgeni Water has felt a responsibility to continue the support for SMMEs, even when they do not succeed in becoming efficient.

This explains why difficulties had been experienced in obtaining a representative sample for interviews from the original list of 200 enterprises. Allowing market forces to prevail so that meter box production could be rationalised among a relatively few efficient SMMEs would be one way to proceed; however the managers confirmed that there is no corporate strategy in place which specifies a date when current arrangements for manufacturing steel meter boxes will be permanently altered.

For Hulett Aluminium, like Umgeni Water, the structure of decision-making within the company is important and deserves particular attention. Hulett has eleven buyers, specialising by product group, who are responsible for procurement under the overall supervision of the purchasing manager. In addition, they have a black empowerment committee, headed by the managing director, on which plant managers are represented, which prepares monthly reports tracking monthly purchases from black companies. This committee was formed at the request of the purchasing managers, to provide them with more authority in implementing the policy of the group and to strengthen their activities. Before the formation of the committee, the purchasing managers were reportedly very much on their own in implementing the Black Economic Empowerment (BEE) policy; the committee has strengthened their hand. But there is little evidence to date that

very much has changed in terms of transferring more business, in terms of volume or Rands, towards black SMMEs.

8.6. The SMME Entrepreneur's View Of The Business Linkages Programme

Umgeni Water suppliers asked for more information about the "Approved Supplier" list. In the case of those making meter boxes, those on the list apparently receive larger orders at a minimum tender price of circa R298 per meter box, whereas less fortunate (unlisted) SMMEs receive only R240 or less for smaller orders. The Umgeni Water buyers confirmed that a typical order would be for 50-60 boxes and higher prices are paid to suppliers who have proved themselves to be more reliable. The rationale appears to be that it is not practical to enter into long-term agreements with new suppliers which, it was admitted, makes it difficult for them to plan ahead.

The same situation of unreliable and small orders was reported by Hulett Aluminium suppliers. One supplier had invested R300,000 in equipment to enable him to supply the corporate with recycled scrap; yet, after ten months of operation, he received no further orders for two years without any explanation as to why these had been cut off.

Three Umgeni Water respondents complained that racial discrimination influenced the allocation of Approved Supplier status, with priority being given to white and Indian suppliers. When questioned further, all three admitted that this charge did not apply to meter box orders but applies when larger contracts are placed by Umgeni Water. Two of the complainants are successful entrepreneurs in the service sector, neither of whom rely heavily on Umgeni Water business any longer. Several Hulett suppliers also raised the question of racial discrimination in the placement of orders.

Both sets of buyers rejected this charge and confirmed that orders are placed on the basis of ability to meet the required standards. In general, items are purchased through individual work orders. Sometimes, but not always, these were based on competitive bidding. Where there was competitive bidding, the bids were sometimes, but not always, opened in public, in ways that enabled even losers to learn by comparing their bids with those that won. Several suppliers asked for increased transparency in the process of bidding and selection, which would appear to be a small price for both corporates to pay if it increases their reputation for transparency.

As noted earlier, the Umgeni Policy of consistently paying SMMEs within 30 days was widely appreciated, as was the special concession of paying some struggling respondents after as little as seven days to help relieve their cash flow problems. Several respondents mentioned that payment after 30 days imposed serious hardships on SMME suppliers, who must pay their workers, and sometimes their own suppliers, more frequently. The nub of their argument is that SMME respondents believe they fund the working capital needs of larger buyers to whom they sell, which they regard as inequitable since they are less able to bear the costs.

Several suppliers complained that they find themselves at the mercy of the buyers and as SMMEs have little choice but to take the terms offered, even if they recognize that these are not satisfactory. Only those who sell to several different buyers appear to be able to overcome this problem. Specific examples include two respondents who discovered that SMMEs on the Approved Supplier's List received approximately 27 per cent more than them for manufacturing steel meter boxes. Another respondent stated that he had underquoted for an order and had informed Umgeni Water before completing the agreed quantity of meter boxes, however no increase in the original price was granted. Finally, one of the respondents was unaware of how to calculate profit accurately and did not realise that he was including an insufficient amount, by a factor of 1:3, until this was pointed out by the interviewer.

9. PRACTICAL RECOMMENDATIONS TO ENHANCE BUSINESS LINKAGES

The following practical recommendations were proposed by respondents and by the interviewers for consideration by the two corporates and different intermediaries:

- 9.1.** Umgeni Water's policy relating to the planned replacement of steel meter boxes should be finalised as soon as possible and announced preferably one year before the proposed change-over so that SMME entrepreneurs have sufficient time to explore alternative business opportunities.
- 9.2.** Umgeni Water should discuss ways of allowing local SMMEs to supply more 'upstream' and 'downstream' goods and services with the Minister of Water Affairs, through its Water Board, for an agreed period, which would enable the corporate to recover any cross-subsidisation and training costs under legislation promulgated since 1994. The rationale for this recommendation appears below.
- 9.3.** Hulett Aluminium should call a meeting of historically disadvantaged SMMEs to explain how they may continue to tender for the supply of different goods and services after the new purchasing policy comes into effect. Ways in which SMMEs could supply up-stream products should also be indicated by the company.
- 9.4.** Hulett Aluminium should also identify ways in which local SMMEs can supply more 'upstream' and 'downstream' goods and services at its new Pietermaritzburg plant under existing 'Tax Holiday' provisions in legislation promulgated since 1994; and also re-examine ways in which the proposed joint Hulett/DTI 'downstreaming' cluster initiative can be implemented. The rationale for this recommendation also appears below.
- 9.5.** The Umgeni Water and Hulett Aluminium lists of supplier companies, no longer in use, should be made available to the Business Support Centre or Chamber of Commerce, so that other companies and SMME entrepreneurs could be brought together more easily.

- 9.6. Government agencies should find out more about the needs of the smallest SMMEs (viz. Survivalist enterprises) and do more to help them now.
- 9.7. The Business Support Centre management should be encouraged to undertake an urgent review of its mission, aims and objectives. Its primary activity should be that of focusing on establishing more business linkages between corporate buyers and SMME suppliers, even is this meant undertaking a smaller range of training services which should be provided at more convenient times in future.
- 9.8. The Chamber of Commerce should review its role in encouraging the development of successful SMMEs in the Greater Pietermaritzburg Metropolitan Area. This could be done by linking the activities of its Small Business Development Committee with the Business Support Centre, which is financially supported by companies that are also very active in the Chamber of Commerce.
- 9.9. The Careers Advisory Service does good work for those living in the townships near the Drakensburg mountain range, but more should be done for those who need training here in Pietermaritzburg, where too many have no jobs and nothing to look forward to.
- 9.10. Local universities and technikons should examine how they can help entrepreneurs acquire basic costing and other business management skills, which should be made available to local SMMEs at a reasonable cost, and at times when entrepreneurs can attend, in return for their contribution to what is a worthwhile study of SMME business linkages in KwaZulu-Natal.

10. RATIONALE FOR MAIN RECOMMENDATIONS CONCERNING CORPORATES

10.1. Umgeni Water

A recurring feature of interviews with respondents supplying Umgeni Water is the fact that the capital to start SMMEs had either been saved from the entrepreneur's own low wages or borrowed from members of their families. Not surprisingly, the majority of these entrepreneurs are seriously under-capitalised and possess inadequate machinery/ technology, although seemingly ample office administration equipment. The majority would also probably be bankrupt, possibly unable to return to their previously-held jobs, without this support from Umgeni Water. The latter's reluctance to turn their backs on these historically disadvantaged entrepreneurs is honourable and genuine; and has to be commended.

What is to be done? Can Government intervene in a forward-looking way that will take account of the huge effort and risk that these entrepreneurs have made to raise private capital with virtually no

outside assistance? A possible way forward is probably to re-examine the links between The Ministry of Water Affairs and Umgeni Water in terms of the latter's links with SMMEs.

In Umgeni Water's case, the possibility of 'upstream' developments which would directly involve SMMEs needs to be re-examined by the new Government-appointed Water Boards, even if, at first sight, the investment and specialised knowledge required to store, treat and deliver water, or process and recirculate treated effluent, involves huge financial commitments. However, the proposed new Water Bill promises to involve more private sector companies and the direct involvement of more SMMEs in supplying services to these organisations could still be made a precondition before this outside investment is approved by Water Boards on behalf of the Ministry of Water Affairs.

As for 'downstreaming' activities, Umgeni Water's articles of association appear to prevent it from applying for a 'Tax Holiday', which is open to publicly-quoted corporates like Hulett Tongatt. However provisions exist for training costs approved by the National Training Board to be recovered. under the the National Training Strategy Initiative (NTSI). Since loss of employment by survivalist entrepreneurs producing steel meter boxes will mean loss of earnings and a likely increase in the already large number of consumers who do not pay their water tariffs, it would be of financial interest to both Umgeni Water and the Water Board representing the Minister of Water Affairs to explore alternative 'downstreaming' activities which supplement the falling demand for steel meter boxes. Any new 'downstreaming' initiatives will incur higher costs for Umgeni Water, which has to demonstrate to the Water Board that it is increasing supply and reducing the water tariff to the rural communities where outmoded steel meter boxes are being installed.

A proposal worth consideration is that Umgeni Water should ascertain the capital investment of each of its SMME entrepreneurs and seek Water Board approval to write-down these 'costs' against those incurred in increasing the supply and the water tariff to rural communities. This concession would be in return for providing suitable training programmes to entrepreneurs for a specified period of, say, three years, during which time regular new 'downstream' contracts would be carried out by these suppliers, who would be required to diversify into other activities at the end of the 'contract retraining' period.

10.2. Hulett Aluminium

Hulett Aluminium clearly deserves recognition for the fact that the people to whom they out-sourced are blacks or Indians (except for the two largest suppliers, who were white but who, in turn, are sub-subcontracting to blacks). In general, though, they have found suppliers who meet their needs without requiring any special support, or training. They also outsource other functions such as warehousing, shipping/distribution, but to larger, non-Black Economic Empowerment (BEE) suppliers, because they have found these activities to be too large and complicated for smaller enterprises to manage. Finally, there are other non-core activities, such as transport of produce, rather than of people, that could be outsourced, but Hulett Aluminium find they can

provide this service more cheaply themselves. Similarly, there are other peripheral functions such as packaging, which they have chosen to keep in-house since these are seen as crucial to the delivery of top quality products.

Their development plans for SMMEs sound impressive; the problem has been in the implementation, since it appears that many of these ideas have not yet been put into practice. Their experience to date suggests that it is possible to direct a fairly significant share of a company's procurement budget to disadvantaged suppliers. This is currently stated at about 6 per cent of Hulett Aluminium's total operations budget, not counting the new construction project. Their purchasing policy uses fairly strict economic criteria, with relatively little commitment of corporate resources; and this can make a difference when it comes to opening up some important new opportunities for historically disadvantaged enterprises.

It is therefore proposed that Hulett Aluminium should investigate how more of its SMME suppliers can be involved in its 'upstream' activities under the 'Tax Holiday Scheme' set out in the Government's 'Growth, employment and redistribution' (GEAR) strategy (1996), and in the Regional Industrial Location Strategy (1996) provisions. The proposed joint Hulett/DTI 'downsteaming' cluster initiative is aimed at providing employment opportunities for local SMMEs wishing to manufacture door and window frames from aluminium off-cuts. Such an endeavor would require specialised training in aluminium welding available locally (e.g. Gateway Trust). If Hulett Aluminium were to enter into similar 'contracts' with local SMMEs, then recovery of training levies or any cross-subsidisation costs incurred in placing more 'downstream' business with these survivalist entrepreneurs is available under the same legislation. However, special care would be required before starting such an undertaking to ensure that there are reasonably good market prospects for the projects people are being trained to make.

In conclusion, simple 'buyer'/'supplier' linkages are recognised as an efficient way to conduct business activity, however this model excludes power imbalances and other social costs. The case for minimum intervention by Government, through its agencies, is already available under a raft of legislation passed since 1994. What is required is wise, far-seeing involvement in a set of selective 'triadic' linkages involving local SMME entrepreneurs, local corporates and the appropriate Government agency, which will encourage initiatives from which all three parties can emerge as a positive 'Tertius Gaudius' (Simmel, 1964), or "the third who rejoices" from the resulting growth in SMME activity, which is the primary aim of those living in the Greater Pietermaritzburg Metropolitan Area, where unemployment is still unacceptably high.

11. POSTSCRIPT: RECENT INITIATIVES FOLLOWING THE FINAL WORKSHOP

1. Both workshops were regarded by participants as very successful and resulted in lively, sometimes heated, debate about what practical steps should be taken to increase SMME development in the Greater Pietermaritzburg Metropolitan Area.

2. The local chamber of commerce (PCCI) has invited a member of the Department of Business Administration to join its Small Business Committee and advise on ways of providing more information to SMMEs on basic training in essential business practices, with the aim of encouraging more historically disadvantaged entrepreneurs to join this organisation.
3. The Business Support Centre (BSC) is currently discussing a Government-backed research project with the Centre for Entrepreneurial Development and Technology (CEPERTT, promoted jointly by the University of Natal and Technikon Natal) which will investigate training needs and current practice in the Natal Midlands, including Pietermaritzburg. One of the BSC team has also visited Japan on a fact-finding mission into training provision and simple technology transfer practices which could be incorporated in KwaZulu-Natal.
4. The Career Advisory Service Senior Officer recently visited Europe to carry out a comparative study. Funds will also be made available for another joint-research project with CEPERTT in the township area near the Drakensburg mountain range.
5. A post-graduate course in Small Business Development was launched by the Department of Business Administration at Pietermaritzburg in February 1998, and a related 4-week Winter School, open to members of the public, will be offered by the Department in July/August, 1998, but canceled because so few people wished to enrol. Ways of offering courses outside normal working hours will be considered after the new School of Business becomes operational in 1999.

Consideration is also being given to opening a research centre specialising in SMME development and Technology Transfer on the Pietermaritzburg Campus in 1999. The aim will be to complement the CEPERTT Unit activities on the Durban and Pietermaritzburg Campuses, and at Natal Technikon by focusing on studies which facilitate specific initiatives (e.g. Workplace Challenge in the local footwear industry and the proposed Hulett Aluminium/DTI 'downstreaming' project) in the Greater Pietermaritzburg Metropolitan Area.

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